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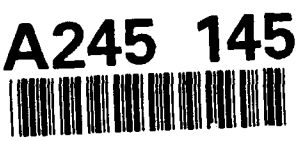

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NAVAL POSTGRADUATE SCHOOL

Monterey, California

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THESIS

CASE STUDY ANALYSIS
OF
UNITED STATES NAVY FINANCIAL FIELD ACTIVITY

by

Patrick F. Rammel

June, 1991

Thesis Advisor: Glenn D. Eberling

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The focus of this thesis is to examine the role of the Navy field activity comptroller in the management of funds and personnel under increasing resource constraints. This thesis introduces four complex case studies developed from interviews with field activity comptrollers and financial department personnel. Each case study represents a different aspect of DON financial management. These case studies will be included in the Practical Comptrollership Course (PCC) offered by the Naval Postgraduate School in Monterey, California, and are intended for use by the PCC students as lessons in DON personnel and financial management.

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Case Study Analysis
of
United States Navy Financial Field Activity

by

Patrick F. Rammel
Commander, United States Navy
B.S., University of Akron, 1975

Submitted in partial fulfillment
of the requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

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ABSTRACT

The focus of this thesis is to examine the role of the Navy field activity comptroller in the management of funds and personnel under increasing resource constraints. This thesis introduces four complex case studies developed from interviews with field activity comptrollers and financial department personnel. Each case study represents a different aspect of DON financial management. These case studies will be included in the Practical Comptrollership Course (PCC) offered by the Naval Postgraduate School in Monterey, California, and are intended for use by the PCC students as lessons in DON personnel and financial management.

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I. INTRODUCTION

The purpose of this thesis is to examine the role of the Navy field activity comptroller in the management of funds and personnel under increasing resource constraints. The United States' military forces will be decreased by approximately 25% during the next five years and appropriated funds allocated to DOD will be decreased accordingly. Each military unit will have to become more efficient in its utilization of funds and more effective in personnel management.

This thesis will introduce a series of four complex case studies. The cases were developed from interviews with field activity comptrollers and financial department personnel. Each case study represents a different aspect of DOD financial management. The cases were reviewed by field activity comptrollers and their solutions were included into the instructor's guide.

These cases will be included in the Practical Comptrollership Course (PCC) offered by the Naval Postgraduate School in Monterey, California, and are intended for use by the PCC students as lessons in DOD personnel and financial management.

A. BACKGROUND

The military funding climate has changed dramatically from the massive buildup period in the 1980's to the current downsizing trend of the 1990's.

> Significant challenges face today's Navy financial managers. There is the perception of a diminished threat which implies a corresponding reduction in own force requirements, non-DOD program requirements are increasing in number and competing for scarce federal funds, also,

Navy financial managers operate in an environment of increased oversight where administrators are looking for grounds to recoup funds.

Financial management responsibility is an important task which involves every part of the Navy organization. Without effective financial management, the mission would not be accomplished. Basically today's Navy financial managers have three prime responsibilities:

- obtain through the budget formulation process, sufficient funding required to support assigned missions and objectives
- once funding is obtained, use financial resources efficiently and effectively to preclude recoupment by higher authority
- use funds properly, consistent with legal constraints.

In this era of growing budget deficits and corresponding funding shortfalls, effective and efficient management of scarce financial resources is more important now than ever. [Ref. 1:p. A-5]

Every field activity comptroller must become an expert in the areas of maximizing the production capacity of their personnel and in the most efficient use of appropriated funds in the accomplishment of each military base's missions.

B. RESEARCH OBJECTIVE

The research objective was to develop a series of case studies for PCC students who are field activity comptrollers and financial department supervisory personnel. The subject matter of the case studies was selected to explore four critical areas that affect all naval bases:

- Ethical dilemma: associated with Title 31, U.S. Code Section 1301(a)
- Budgetary reprogramming within the current fiscal year
- Budget justification exercise
- Budget execution evaluation from claimant/subclaimant level

C. RESEARCH QUESTION

How to manage personnel and appropriated funds to accomplish the command's mission under resource constraints without violating civil laws or military regulations while maximizing good personnel and financial management practices.

D. SCOPE, LIMITATIONS, AND ASSUMPTIONS

This thesis focuses primarily on the functions and responsibilities of comptrollers and financial department supervisory personnel at the field activity level because most of PCC students are or will be employed at this level.

These case studies were purposely written to be generic in nature. Although they document fictitious military stations, they are based on actual situations. All students, regardless of their individual warfare community, should be able to apply their previous experiences to solving these cases.

A crucial assumption made in preparing these case studies is that the student has some experience and training in financial and personnel management. It was also assumed that the student has been introduced to or has a limited working knowledge of the major instructions of Navy financial and personnel management.

E. METHODOLOGY AND LITERATURE REVIEW

Two research methods were used to obtain information for this thesis: field research; and a review of current Navy financial directives and instructions and other pertinent literature.

1. Field Research

The methodological approach to this thesis was through field research. The data used in the preparation of these case studies was gathered from in-depth field and telephone interviews with the comptrollers and financial management personnel from twelve Navy bases located on both the east and west coasts of the United States. Interviews were also conducted with various Army comptroller's and their associates to verify similar problem areas.

2. Literature Review

A thorough review of current Navy directives, manuals, and instructions and the textbooks used in the Financial Management (837) curriculum at the Naval Postgraduate School served as a second source of data.

F. ORGANIZATION OF STUDY

Chapter II identifies the organization, functions and responsibilities of the comptroller department. and formal and informal power structures within the comptroller department. Chapter III presents four case studies and the resulting analysis. Chapter IV provides conclusions that were made as a result of this research.

II. COMPTROLLER DEPARTMENT ORGANIZATION, RESPONSIBILITIES, AND POWER STRUCTURE

The field activity comptroller is responsible for the following [Ref. 2:par. 012100]:

- providing technical guidance and direction in financial management throughout the local organization as a staff service to the commanding officer;
- maintaining a classification of the programs administered, their objectives, and a current inventory of budget plans and program schedules;
- formulating, reviewing and monitoring execution of local budgets;
- reviewing program performance against the financial plan; and
- promoting economy and efficiency in the performance of assigned programs.

The field activity comptroller is normally supported by a Deputy Comptroller and two divisions, accounting and budgeting. A typical field activity comptroller department organization is depicted in Figure 1. [Ref. 3:p. K-27]

A. ACCOUNTING

The purpose of the Accounting Division is to provide full disclosure of the financial results of operations to meet the requirements of both internal management and external agencies. [Ref. 4:p. 1-16] The Accounting Division provides the direct administration and technical supervision of all accounting functions of the station and provides timely financial information necessary to support the preparation and execution of the budget process.

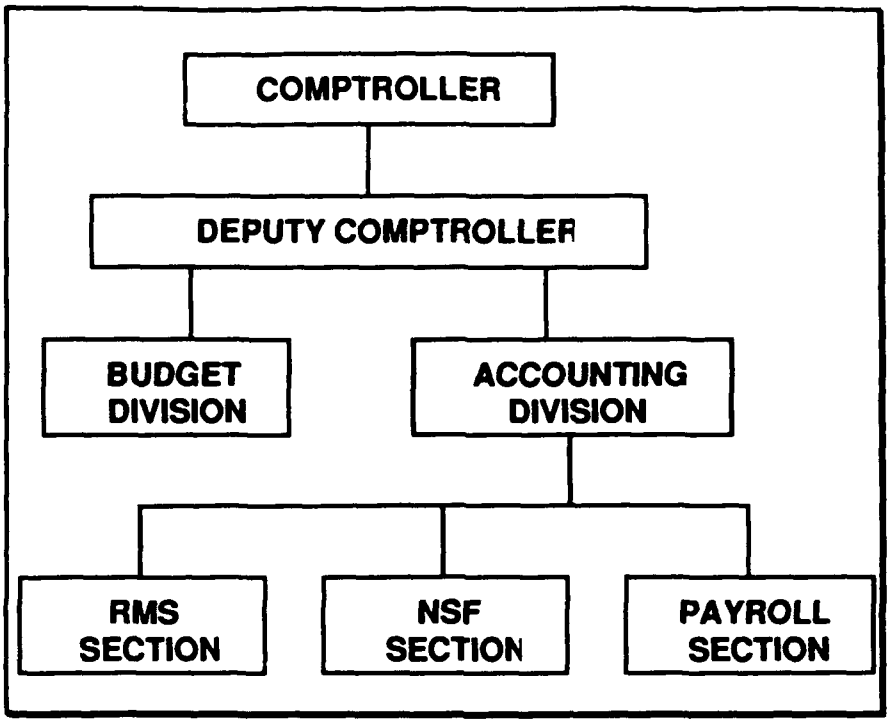

Figure 1. Comptroller Department Organization

The major functions and responsibilities of the Accounting Division are to [Ref. 2:p. K-29]:

- maintain required accounting records;
- prepare accounting reports for local management and for submission to higher authority;
- conduct cost accounting operations;
- maintain plant property account records;
- Maintain civilian pay, leave and retirement records and payroll; and
- possibly maintain Navy stock fund records.

More specifically, the Accounting Division will [Ref. 3:p. 18-20]:

- maintain required accounting records for plant property;
- maintain civilian pay, leave, and retirement records and prepare civilian payroll;

- review all proposed fund distributions prior to release as a validation to ensure that such actions will not place programs in a deficit status; and issue funding documents that assign this responsibility;
- apply, for accounting purposes, provisions of substantive law relating to the availability of appropriated funds, or obtain from the appropriate legal office any necessary interpretation of statutory language;
- conduct obligation validation reviews, no less frequently than three times a year, in order to fulfill the legal requirement for fiscal year-end certification, and in order to eliminate erroneous obligations, considering unliquidated obligations and unobligated balances;
- maintain record of expenditures by end use (functional account) and object for which spent (object class);
- monitor the status of reimbursables and ensure the timely collection of accounts receivable;
- ensure that transactions are not processed against reimbursable orders in excess of amount of order;
- reconcile memorandum records with official accounting records not less than monthly, including reimbursables and prior year transaction; reconcile these records with higher authority as required;
- process and promptly return to the appropriate accounting activity records permitting correction of accounting errors;
- review and analyze new and proposed legislation, regulations, or policies and procedures issued by higher authority, and take appropriate actions to implement such policies or make recommendations as required;
- implement accounting policy and procedures as applicable to the activity; and develop or establish unique accounting practices to the activity;
- issue manuals, directives and instructions, as authorized, pertaining to field activity accounting procedures;
- assist departments and cost centers in accounting practices applicable to the activity;
- develop and/or coordinate reporting systems within the activity for accounting data necessary for management purposes;
- prepare and distribute accounting reports for use at the local level and for submission to higher authority portraying the status of funds at all levels;

- review any report of violations of administrative control of funds regulations; prepare the command position on actual violations; and finally, monitor any irregularities which may indicate a trend toward such violations;
- conduct a continuous review of accounting reports to ensure responsiveness to management needs;
- serve as liaison with higher or lateral authority on matters relating to program reports and perform special statistical analysis as required.

B. BUDGETING

The Budgeting Division's primary duties are to initiate actions which identify and assess activity funding requirements through the budget formulation process and to monitor the budget execution of the approved programs. [Ref. 3:p. 1-21] The budget formulation process includes the interpretation of budget guidance from higher authority, development, justification and presentation of budget estimation. The budget execution process includes monitoring and recommending adjustments as necessary to prevent over-obligation of program funds that were requested and approved by competent higher authority.

The major functions and responsibilities of the Budget Division are to [Ref. 2:p. K-28]:

- provide guidance and instructions for preparation of the activity's budget;
- review budget estimates submitted by departments;
- recommend approval, revision or disapproval of items on estimates to the commanding officer;
- prepare the activity's budget and justification;
- prepare the activity's spending plan;
- control funds' authorizations to the activity and operating target (OPTAR) authorizations;
- review program performance against the activity's spending plan;

- analyze variances, recommending action where appropriate; and
- manage Inter Service Support Agreements (ISSAs)/Reimbursables.

More specifically, the Budget Division will perform the following tasks [Ref. 3:p. 1-21--1-23]:

BUDGET FORMULATION

- provide interpretations and determinations of command budget policy and disseminate budget requirements to activities from whom budget information is needed;
- maintain liaison with higher authority in the formulation, justification, and execution of funding requirements;
- issue budget calls to activity departments and cost centers, augmenting budget calls of higher authority with additional guidance and information as required;
- review budget estimates submitted by departments and cost centers and recommend approval, revision, or disapproval of items and programs to the commanding officer, in order to develop the activity approved budget;
- advise the commanding officer on types and levels of resources required to implement immediate, mid and long-range plans;
- recommend alternative methods of meeting command requirements in consonance with cost, feasibility and effectiveness in order to attain the greatest benefit from any given resource expenditure;
- coordinate and prepare various documents to support DOD FYDP (Future Year Defense Plan) reporting;
- prepare budget and apportionment exhibits and associated budgetary data in formats specified by higher authority;
- present and defend budget and apportionment submissions at the various levels of review providing informed supporting witnesses as required; conduct a post-cycle critique to determine where improvements in command budgeting practice should be undertaken;
- evaluate the impact of budget review decisions (e.g., Congressional markup); organize and coordinate the preparation of position papers or appeals involving budget programs; and develop program adjustment actions to conform to decisions of higher authority.

BUDGET EXECUTION

- develop a financial plan based on approved programs and distribute financial resources to the activities's departments and cost centers through the issuance of operating targets;
- apply, for budgeting purposes, provisions of substantive law relating to the availability of appropriated funds or obtain from the appropriate legal office any necessary interpretation of statutory language;
- develop and maintain jointly with the accounting function, a fund authorization control system to ensure that over-authorization of available funds does not occur;
- estimate the probable impact of slippages and impending changes in operation plans and individual budgets and prepare recommendations for adjustments;
- analyze program performance in comparison to the budget plan, study variances from the plan in terms of their effect on the funding of programs, and make recommendations for rebalancing and/or reprogramming actions as appropriate;
- develop and/or coordinate reporting systems within the activity for qualitative analysis of budget performance against approved programs;
- review the use of funds by program to ensure compliance with budget policy and to ensure that command priorities are carried out;
- coordinate and/or approve activity financial interests incident to support agreements executed with other activities;
- perform duties associated with budgetary control of centrally managed funds;
- maintain records on budget plans and schedules; examine trends and program status and report variances from plans to responsible levels of management;
- provide a central coordination point for all budgetary data released to higher authority;
- prepare recurring progress reports for top management for all major programs as related to the financial plan, highlighting unusual situations;
- serve as a liaison with higher or lateral authority on matters relating to program reports and statistics, as related to budgetary matters and perform special statistical analysis as required.

C. FORMAL AND INFORMAL POWER STRUCTURE

In the formal chain of command, the Comptroller is the Department Head of the Comptroller Department, responsible for the effective and efficient operation of this department. The Comptroller's personal managerial style and techniques will directly influence the success or failure of the department.

The job of a field activity comptroller is a very unique billet. Most field activity comptrollers report to their respective assignment with a "P-Code" in financial management. But, the majority of comptrollers interviewed for this thesis, had no previous experience in the comptroller field.

Each of these officers has earned a warfare specialty, such as, Surface Warfare, Submarine Service or Anti-Submarine Warfare Specialist. More important, each of these individuals has proven themselves to be an exceptional manager of people and objectives.

During the interviews, each comptroller was asked a series of questions, such as:

- What is your educational background?
- What is your military experience, i.e., sub-specialty, duty stations before assignment as comptroller, etc.?
- What was the most difficult part of this new assignment?
- What is the most important "thing" to bring to an assignment as comptroller?

Although this was a very selective population for a survey, their answers were very similar. The characteristics of the field activity comptroller were as follows:

- Master's Degree or higher
- Not an accounting or budgeting expert

- Commander or senior Lieutenant Commander
- Operational background and coming off sea duty
- Most difficult part of the new assignment was learning how to adjust to working with the civilian work force
- Most important "thing" to bring to the assignment is your expertise in personnel management

The field of personnel management theory is continuously being reviewed and revised. One subject area that is of critical interest to managers can be subdivided into authority, power and influence. These three terms are interrelated but are not identical.

Formal authority is one type of power. This power is rooted in the general understanding that specific individuals have the right to exert influence within certain limits by virtue of their position within the organization.

Power can be defined as the ability to exert influence; that is, the ability to change the attitudes or behavior of individuals or groups.

Influence is any action or example that cause a change in attitude or behavior of another person or group. [Ref. 5:p. 299-300]

The military comptroller has the formal authority due to the position within the Command's organizational structure. The comptroller should use this power to influence the department to be as effective and efficient as possible.

The comptroller's source of power is not limited to only formal authority. There are four other major sources or bases of power. Each of these sources of power may be used individually or in combination to provide the best results.

- Reward power is based on one person (the influencer) having the ability to reward another person (the influencee) for carrying out orders or meeting the requirements.

- Coercive power, based on the influencer's ability to punish the influencee for not meeting requirements, is the negative side of reward power.
- Legitimate power, which corresponds to formal authority, exist when a subordinate acknowledges that the influencer has a "right" or is lawfully entitled to exert influence--within certain bounds.
- Expert power is based on the perception or belief that the influencer has some relevant expertise or special knowledge that the influencee does not. Usually applied to specific, limited subject area.
- Referent power, which may be held by a person or a group, is based on the influencee's desire to identify with or imitate the influencer. [Ref. 6:p. 150-167]

Each of the five sources of power is potentially inherent in the position of the comptroller. A certain degree of legitimate power results from the hierarchical structure of the military organization. Subordinates are assumed to accept the formal authority and will obey him or her within reasonable limits. The comptroller also has the power to reward the civilian work force with pay raises or promotions and to punish them within the civil service guidelines. The comptroller is assumed to have some degree of expertise in the fields of financial and personnel management. The referent power is totally dependent on the individual and their management style.

The informal power structure of the comptroller is very similar to the informal organizational relationships that exist side by side with the formal organizational chain of command.

The informal power structure can be compared to the authority or power that belongs to staff positions. It is assumed that the staff person has the expertise and knowledge in a particular area.

The comptroller's informal power structure can be used most effectively in the advising or guiding of other departments that are supported by the comptroller department.

Comptrollers who use their various bases of power with self-control will be more effective than those who wield their power to satisfy a need to dominate others. Today's comptrollers are in the ideal position to set the standard in the Navy's strategy of Total Quality Leadership. The comptroller should encourage team spirit, support their subordinates, and reward their achievements, thereby raising morale.

The military field activity comptroller is normally the only military service member in that department. He or she is the manager of a department of personnel who are the technical experts in their respective fields. The comptroller's expertise is not normally in accounting or budgeting but in the field of management. The military comptroller is the individual who is responsible for providing the operational or military influence on the final products produced by the comptroller department. The next four case studies depict the comptroller in action.

III. CASE STUDIES

A. CASE STUDY #1. ILLEGAL ORDER

Section I Introduction:

Title 31 U.S. Code, Section 1301 requires that appropriated funds will be used only for programs and purposes for which they were appropriated. Title 31 U.S. Code, Section 1301 traces its parentage to Article 1, Section 9 of the U.S. Constitution where it states, "...no money shall be drawn from the Treasury but in result of appropriations made by law." Depending upon the circumstances involved, a violation of Title 31 could result in grave consequences for those found responsible.

Despite the seriousness of Title 31, it is occasionally violated for reasons of expediency, ignorance of the law or to facilitate a good business decision. Not all offenders are caught and some have been known to take elaborate measures to cover their tracks.

This case study examines the dilemma faced by an activity comptroller who becomes knowledgeable of a conspiracy to violate and conceal such a violation. Those principally involved include his immediate supervisor, the activity's Executive Officer and another senior department head.

Logic, diplomacy and communication skills will be required to defuse this potentially volatile situation and pave the way toward an optimum course of action.

Section II Background:

Naval Air Station Rhodes is a true rarity. It is located on a relatively remote but idyllic island off the coast of Greece. The utilization of the base is cyclic and directly related to the political stability of this region of the world.

With an increasing amount of political unrest in this area of the world, NAS Rhodes was being designated as an "Alternate Command and Control Center."

LCDR Bob Samuels has been commissioned for 14 years and will be in-zone for promotion to Commander next year. Since his graduation from Florida State and being commissioned via a NROTC scholarship, his service reputation has been outstanding. He has the proper blend of sea tours and several high visibility shore tours.

Bob had the good fortune to be selected to attend the Harvard Business School and was awarded an MBA. Following that shore tour, he was detailed to be an aide to the Commander of the Mediterranean Force.

LCDR Samuels was on the fast track and moving ahead of the pack all the time. Having demonstrated his ability to coordinate projects between military services and civilian counterparts, he was designated as a Joint Service Specialist.

LCDR Samuels' detailer informed him that his next set of orders would make use of his MBA and P-code as comptroller at NAS Rhodes. Enroute to his next duty station, he would attend the Practical Comptroller Course at Monterey, CA.

About two weeks after LCDR Samuels reported in, for duty as comptroller of NAS Rhodes, Frank Briggs, the Accounting Supervisor, called

LCDR Samuels on the telephone and asked if this was a convenient time to come by and discuss some accounting reconciliation problems he was encountering.

> After discussing the reconciliation problem areas, Frank was just about to leave when he turned to the Comptroller and said, "Oh, by the way, I just heard from my friend Mario, in the Supply Department, that they are processing some requisitions for a $21,000.00 security alarm system citing O&M,N funds. If NAS Rhodes is going to be used as a Alternate Command and Control Center, I guess we should have it."

LCDR Samuels thanked the accounting supervisor for the information and than telephoned the Supply Officer, Commander Williams, to inquire about the new security system.

Commander Williams, the Supply Officer, replied:

> "Yea it's not exactly legal, but the X.O. said make it happen, ASAP! As you probably know, the Terrorist Threat Status has been upgraded to Condition One locally and the X.O. is worried about the Security Inspection scheduled for next month. He feels that he needs to beef up base security in a big hurry.
>
> We can't wait six months for the next OPN budget call. Don't worry, we will split the purchase, it's a piece of cake. I've done this kind of thing before. The base will be safer and the old man will be pleased with us. Someday, I tell you about how we outfitted the O'Club pool side bar."

LCDR Samuels went over to the bookcase and got out his "greenbook" from the Practical Comptroller Course. He started thinking about what the PCC instructor had said about Title 31 violations.

If the supply department orders the security system citing O&M,N funds and its cost is $21,000.00, that would be a direct violation of Title 31 (1301).

LCDR Samuels' mind began to race in several different directions at once:

Should I get involved with this? Technically speaking, the comptroller does not sign the requisition form. If the Supply Officer wants to order something with the wrong color money, the comptroller shouldn't be expected to know about it until long after the fact. If it hits the fan, it's the Chop's fault.

Sure, the misdeed might not be discovered if no one looks too closely and the purchase is split into several requisitions. But what if something goes wrong and the discrepancy is found? Wait a minute, there is that security inspection team coming next month and we do want to pass the inspection. The Chop has a point if it works.

Well, it is about time for lunch. I think I will go for a quick workout and swim to help me gain some perspective on this problem. Humm, going for a swim reminds me about what CDR Williams said about outfitting the poolside bar. Maybe I better look into that project after I sort out this security system problem. On second thought, maybe I better not, ignorance is bliss.

That afternoon Bob was summoned to the X.O.'s office. CDR. Hallon didn't look to be in the best of moods,

> "I heard from the 'CHOP' that you have a problem with our little purchase. I don't appreciate this 'can't do' bureaucratic attitude and I'm extremely disappointed in you. The CHOP understands the urgency here and is willing to do what is necessary to handle this, what's your problem? If you can't cooperate, I'll find someone who can!"

LCDR Samuels returned to his office to contemplate his predicament and to determine the best course of action to take. Does the C.O. really know

how the security system is being purchased and does he want to know? The possibility does exist that the C.O. is using the Executive Officer as a shield so if it does blow up, the C.O. can claim "no knowledge of the purchasing method used." If I go in there like a bull in a china shop I can really mess things up; I better think this one out.

If the comptroller decides to fight the Executive Officer and Supply Officer about this purchase, what effect will this have on his annual evaluation (fitness report)? The Executive Officer is responsible for grading LCDR Samuels' performance and submitting all Department Head's fitness reports to the Commanding Officer. The X.O. could submit a fitness report that would knock Bob off the fast track after 14 years of outstanding performance. Would the C.O. come to LCDR Samuels defense against the X.O.'s negative performance evaluation? The next fitness report for LCDR Samuels will be the most current fitness report that will be reviewed by the Promotion Selection Board.

Bob Samuels realized that he was about to make the decision of his life.

Section III Questions:

1. What potential options are available to resolve the problem?
2. Considering the legal aspects of these options, and your career plans, in what sequence do you plan to discuss these options with the XO and/or CO?

Section IV Analysis

LCDR Samuels is facing a difficult situation where the consequences of taking the wrong course of action could possibly harm his naval career. Having become knowledgeable of a conspiracy to violate and conceal a Title

31 (1301) violation involving his immediate supervisor, LCDR Samuels is definitely involved whether he likes it or not.

Given the statements made to date, it is fair to say that the XO is familiar with Title 31 (1301) and doesn't want any bureaucratic meddling by the Comptroller. He is probably predisposed to allow the "experienced" Supply Officer to handle the matter. What LCDR Samuels doesn't know is if the Commanding Officer is involved or if he even wants to be.

The key to disarming this potential explosive situation is to convince the Executive Officer that you are not challenging his authority but are providing sound advice as per your assigned duties. LCDR Samuels may not even have to address the thorny issue of the rights and wrongs of the decision or the Commanding Officer's involvement.

What LCDR Samuels has to do is make the Executive Officer aware of a related fact that might not have been disclosed to the XO by the Supply Officer.

LCDR Samuels needs to make the XO aware of the fact that this transaction is an open secret. After all, the Comptroller found out about it through Mario. LCDR Samuels needs to explain to the XO that it only takes one disgruntled employee to make a "HOTLINE" telephone call and it's all over. The resulting consequences could be substantial because a split purchase is considered evidence of willful intent to circumvent the law.

LCDR Samuels should approach the XO from the position that he is a team player, who's intention is to protect the XO and the Command.

B. CASE STUDY #2. THINGS DON'T ALWAYS GO AS PLANNED (BUDGET REDUCTION EXERCISE)

Section I. Introduction:

Effective and efficient management of scarce financial resources is difficult at best given changes in operating conditions, priorities, costs and funding levels. Activity comptrollers often don't know the real bottom line with respect to their obligational authority until the last day of the fiscal year.

In good times, the distribution of funds to activities at mid-year review and at the end of the fiscal year can be sufficient to fund most requirements. In bad times, last minute funding cuts and spending freezes can render previously formulated activity spending plans obsolete. Decisions concerning the type (horizontal or vertical) and degree of cuts to be made are not easy to make.

This case study examines the dilemma faced by an activity comptroller who is faced with a funding shortfall that could seriously jeopardize her Commanding Officer's program agenda to make NAS Barrens the premier naval air station on the West Coast.

Section II. Background:

Naval Air Station Barrens is homebase to the Navy's west coast strike fighter aircraft squadrons and as a host command, supports over 30 tenant commands by maintaining and operating facilities for operational, administrative and personnel support.

NAS Barrens' strike aircraft squadrons normally deploy aboard aircraft carriers for cruises lasting between six to seven months, after which

they return to NAS Barrens for a few months to begin preparation for their next deployment.

NAS Barrens is located about 120 miles northeast of Los Angeles. The fact that it is so isolated was one of the Navy's prime reasons for selecting the site. Aircraft can fly anytime day or night without having to be concerned with disturbing residents in the surrounding area.

The operational support facilities at NAS Barrens are among the most modern in the Navy, including maintenance facilities to refurbish and repair various assigned aircraft, simulators to train pilots and crews, and a state of the art weapons range.

The personnel support programs and facilities at NAS Barrens are also "top notch." NAS Barrens' personnel support programs are essential in maintaining station morale as they have to compensate sailors for long deployments, provide military members' dependents a distraction from family separations caused by prolonged deployments and provide those recreational and personnel support services normally available outside the gates of bases not so isolated.

Failure to adequately support these quality of life programs could negatively impact morale and could eventually affect retention. Since the service member's dependents play an influential role in the reenlistment decision making process of the service member, maintaining dependent morale is essential.

Special On-going Quality of Life Programs

NAS Barrens' personnel support programs are recognized by various commands and agencies for their excellence and creativity. The following is a partial list of examples:

Child Care Center (CCC)

The Center is unique among other stations in that it operates on a 24 hour/day basis to accommodate single parent graveyard shift personnel and watchstanders. A low ratio of instructors/caretakers to infants and children is maintained to facilitate suitable nurturing and supervision. New teaching and recreational learning equipment are scheduled to be purchased in June. Unfortunately, there is a waiting list of 156 children due to the governmental regulation of required interior floor space per child. Annual cost of the program is $ 409K.

Summer Student Hire Program

This program is a major benefit to station personnel with dependent children. Because of the isolated location of NAS Barrens, the student hire program is the primary local employment opportunity for high school and college age students during the summer months. Many students rely on this program to earn money to help defray college tuition costs. This program has been instrumental in keeping the station's youth productively occupied, thus reducing vandalism and decreasing substance abuse. With two children enrolled, the CO is a prime advocate of this program. Annual cost of the program is $ 384K.

Morale, Welfare and Recreation (MWR)

The MWR program and facilities are indispensable in providing for physical fitness and recreation requirements of station personnel. The well-equipped gymnasium and swimming facilities are very popular among station personnel. The hours of operations for these facilities have been extended to provide for maximum utilization by shift working personnel and families. Table 1 is a list of current MWR programs. Annual cost of the program is $ 1,358K.

Temporary Hires Program

The majority of NAS Barrens' civilian temporary employees are spouses of service members, many of whom need to work and earn a second income to cover living expenses. This program also provides spouses a diversion from the depression normally associated with family separation during deployments.

Monetary Awards Program

Monetary awards are cash payments given to civilian employees in recognition of outstanding performance or as an incentive award for a contribution that results in a monetary savings or cost reduction for the base. Improved morale and higher productivity from the civilian employees have been the result of the monetary award program. A very important long term benefit from this program has been the increased retention of civilian employees at NAS Barrens. Annual cost of the program is $ 220K.

Quality of Life Program

NAS Barrens has designated the Quality of Life program as a high priority to help compensate for the negative aspects of long deployments.

While deployed, squadron personnel work long hours and live in cramped living spaces with very little privacy. A typical enlisted berthing compartment aboard ship consists of 20 to 40 bunks crammed into a small space. Felons in prison are provided more living space.

The evening entertainment, if you are not working, standing watch, or trying to sleep before your next watch, is the movie shown on the mess deck after the evening meal.

NAS Barrens began its Quality of Life program by upgrading the bachelor quarters, so that, service members could spend their off-duty time in more pleasant surroundings. Of particular pride to NAS Barrens is the fine reputation maintained by its enlisted galley. It is now a semi-finalist in competition for the NEY Award.

Commanding Officer (Captain Vernon Simmons)

Captain Simmons, a hard-charging professional, epitomizes the highest ideals of a popular and well-respected leader. He genuinely cares about the sailors who serve under him and their dependents as is evidenced in his promotion of Quality of Life Programs.

His job at NAS Barrens can be compared to that of being a mayor of a small city. Captain Simmons knows that in order to be a successful "Mayor," he has to keep his constituents (i.e., tenant commands), including Rear Admiral James, COMMANDER STRIKE FIGHTER WING PACIFIC, satisfied with the level of support provided by NAS Barrens.

Captain Simmons aims to please; he keeps his airfield open for business almost around the clock, weekends included, to accommodate any possible operational requirement. He has been instrumental in

implementing many of the base's "Quality of Life" initiatives and is justifiably proud of their success. This can-do attitude is Captain Simmons' trademark.

Captain Simmons is scheduled to end his tour of duty at NAS Barrens in nine months. He is actively pursuing a highly coveted position at CINCPACFLT, attainment of which would assure him a shot for flag rank.

The new Type Commander (TYCOM), Vice Admiral Rils, (Captain Simmons' boss) is scheduled to visit NAS Barrens in August as part of a command inspection. Since Vice Admiral Rils had never visited NAS Barrens in that capacity, Captain Simmons is justifiably motivated toward presenting a good first impression.

Comptroller (Lieutenant Commander Sharon Massey)

LCDR Massey has been breaking new ground throughout her naval career. She was one of the first women officers to qualify in jet aircraft and became a jet instructor pilot. She graduated at the top of her class while attending the Naval Postgraduate School and is to be screened for aircraft squadron commanding officer next spring.

While her first pursuit is flying, she managed to earn a "P" code in financial management and is currently serving in a pay back tour at NAS Barrens. LCDR Massey is cognizant of the fact that if she does a good job as comptroller, Captain simmons will strongly recommend her for command of a squadron.

Section III. The Problem: Opening Brief to CO/XO/Department Heads after Mid-Year Review

LCDR Massey has recently returned from the TYCOM mid-year review conference and has prepared a brief for Captain Simmons on the results of the review.

LCDR Massey began her brief,

"Good Morning Captain, XO, Department Heads, as you know our TYCOM's funding allocation strategy is to hold sizable reserves until mid-year review, then release those funds based on actual spending performance and justification of requirements. Their policy is not to support so called "soft" programs in the first two quarters in case funds are needed to cover contingency requirements. We plan and act accordingly.

Captain Simmons, you will be pleased to hear that we were very successful in our endeavors ....

The TYCOM Comptroller was very impressed with our unfunded requirement package (See Enclosure 1). He said that it was not only well-justified but superbly documented and presented as well. He called it an outstanding example for other stations to follow.

The TYCOM Comptroller anticipated no problems at the claimant level and predicted that almost all the requested funds would be released shortly.

Based on the assumption that all our unfunded requirements will be funded, let me propose the following spending plan for third and fourth quarters. (See Encl 2)

Sir, as you can see, there is sufficient funding to fully support our station's Quality of Life programs and possibly cover some new projects, as well, like:

- Bachelor Enlisted Quarters

- •• purchase microwave ovens, large screen televisions and VCR's for day rooms
- •• construct a BBQ area and picnic tables in the common areas
- •• repaint interior walls
- •• replace wornout and broken furniture

- Enlisted Galley
  - •• increase chances in NEY Award competition by modernizing food service equipment and purchasing new curtains, table clothes and upgrading wall decoration
- Cable Television
  - •• wiring bachelor quarters and family housing for cable TV (outside commercial cable companies have offered to provide service after the buildings are wired)
- Travel for training purposes
  - •• fund all previously postponed training requirements
- Prepare for TYCOM Inspection
  - •• paint exterior walls on all administration buildings
  - •• pave potholes."

When LCDR Massey finished her brief, Captain Simmons stood up and smiled, obviously he was very pleased with what he had just heard. The CO said,

> "Thank you Sharon, you've done a superb job and I'm sure that when Admiral Rils visits us this August, he will recognize NAS Barrens as his premiere base."

Things Don't Always Go As Planned

On April 3rd, LCDR Massey and her Budget Supervisor, Karen Hedishi, were eating lunch in the O'Club while watching the noon CNN news broadcast on the wall mounted TV. The lead-off news story was the major unseasonable storms that were ravaging the southeast coast of the

United States. Unusually high tides were compounding the damages caused by the full gale force winds.

There was no way that navy bases located in the affected area escaped being severely battered by these freak storms. The news station's mini-cam footage being shown on the television looked very similar to the damage caused by Hurricane Hugo.

LCDR Massey shook her head slowly and said,

> "I got a bad feeling about this, let's initiate some contingency planning just in case the "promised" mid-year review money is reprogrammed to cover the storm damage on the east coast. I'm going to make a couple of phone calls to see if there are any rumors at TYCOM headquarters."

Early the next morning, LCDR Massey received a phone call from the Comptroller at the TYCOM,

> "We just gotten the word from the claimant, the damages on the east coast are unbelievable and OP-82 is pulling funds from everybody. Don't plan on much mid-year relief this year, out of the $ 6400K we tentatively promised you, you will be lucky to see $ 2725K."

Section IV Questions:

Given the aforementioned situation, reevaluate the previously submitted third and fourth quarter spending plan and unfunded requirements list and formulate a revised spending plan. Explain what changes you would recommend and why?

TABLE 1. MWR PROGRAMS

Category A

Common Support Services	$323K
Gymnasium/Physical Fitness/Aquatic/Aerobic Training	64K
Libraries—General	163K

Parks and Picnic Areas.....26K
Recreation Centers and Rooms.....65K
Sports/Athletics (Self-directed, Unit, Intramural).....23K
TOTAL.....664K

Category B

Art and Crafts Skill Development.....4K
Automotive Crafts Skill Development.....9K
Bowling Center (with less than 12 lanes).....17K
Child Care Centers.....409K
Family Home Care.....49K
Before/After School Care.....18K
Outdoor Recreation.....47K
Recreational Information, Tickets & Tour Service.....28K
Recreational Swimming Pools.....36K
Sport Programs (above intramural level).....8K
Youth Activities.....28K
Community Activities.....23K
Riding Stables.....16K
TOTAL.....694K

ENCLOSURE 1

ABRIDGED VERSION OF NAS BARRENS UNFUNDED REQUIREMENTS

DESCRIPTION	$ AMOUNT
MAINTENANCE & REPAIR OF REAL PROPERTY	
• Repair/Replace damaged runway lighting	100K
• Replace intercom systems in BEQ	100K
• Repair sanitary sewer system	65K
• Repair drainage system (Flood Control)	120K
• Pave over potholes	143K
• Patch/Repair roofs Buildings 240, 270, 271, 360	28K
• Paint Administrative Buildings	120K
• Repairs to water treatment plant	160K
• Repair/Upgrade electrical system (Hospital OR)	45K

- Paint hangar deck (Hangar #4 & 5) 88K
- Replace old/obsolete electrical panels 45K
- Paint BQ day rooms 50K
- Overhaul air conditioning system (Air Wing HQ) 80K

TOTAL ..... **$ 1144K**

MINOR CONSTRUCTION

- Install pavement south of Hangar #2 (reduce FOD Hazard) ... 77K
- Install emergency generator at Water Treatment Plant 95K
- Modify community facilities to accommodate handicapped personnel 175K
- Construct storage building 24K
- Minor expansion to Child Care Center 100K

TOTAL ..... **$ 471K**

ENVIRONMENTAL / HAZARDOUS WASTE

- Hazardous Waste Reduction Studies 300K
- Fuel Spill Study to determine scope of special project to determine cleanup requirement 60K

TOTAL ..... **$ 360K**

CIVILIAN LABOR

- Recognition of pay raise 300K
- Anticipated FECA costs 425K
- Drug Free Workplace Program 8K
- Hearing Conservation Program 6K
- Performance Awards Program (1.5% of aggregate salaries) .. 220K
- Student Summer Hire Program ($6/hr, 40hr/wk, 8wk, 200 students) 384K
- Civilian Employee Assistance Program 13K

TOTAL ..... **$ 1,356K**

OPERATIONAL SUPPORT AREAS

- Continuance of Navy Logistics Command Management Information System installation (over 1500K invested at this time) 370K
- Vehicle operation and maintenance (Isolated location results in high mileage) 88K

- Physical security requirements (Guard dogs, shredders, safes, etc)....50K
- ADP related equipment (Micro's/software)....75K
- Replacement program for office furniture....165K
- Repairs to Instrument Landing System....99K
- Electric Rate increases....59K
- Modifications to BOS contracts to meet new external requirements....250K

TOTAL....$ 1,156K

QUALITY OF LIFE ISSUES

- Child Care Development Center (CNO directed matching fund requirement)....280K
- Bachelor Quarters
  - •• Carpet replacement program....30K
  - •• Mattress/Bed linen replacement....25K
  - •• Furniture replacement program (8 yr est. life)....244K
- Appropriated Fund support to MWR....1,071K
- Wire Base Housing and BQ's for cable television....100K
- Enlisted Galley improvement (Semi-Finalist in NEY Award competition)....70K

TOTAL....$ 1,820K

TRAINING and TRAVEL SHORTFALLS

- Operational travel (Station aircraft's crew)....10K
- Training related travel....30K
- Administrative travel....40K

TOTAL....$ 80K

TOTAL UNFUNDED REQUIREMENTS....$ 6,387K

ENCLOSURE 2

NAS BARRENS' SPENDING PLAN (ABRIDGED)
(000)

	Actual 1st Quarter	Actual 2nd Quarter	Planned 2nd Quarter	Planned 4th Quarter	Planned Total
DIRECT LABOR					
Straight Salary (non Temps)	2900	2750	2650	2685	10,985
Straight Salary (Temps)	910	920	905	926	3,661
Overtime	31	29	23	27	110
Bonus/Awards	0	0	0	220	220
Summer hire Program	0	0	128	256	284
Fringe Benefits/Other	870	825	795	805	3295
PUBLIC WORKS					
M-1 MRP	1070	970	1255	1395	4650
M-2 Non-Recurring Maintenance	0	0	120	120	240
R-1 Minor Construction	58	46	232	267	603
P-1 Other Engineering Support	862	1020	1120	764	3766
N-1 utilities	517	607	505	619	2248
L-A Telecommunications	225	252	260	196	933
L-7 Transportation	373	370	366	369	1478
Reimbursable Order	2484	2483	2484	2483	9934
Support of Base Aircraft	386	386	386	386	1544
Operational Support Area	261	232	818	828	2139
TRAVEL					
Operational Military	19	19	19	19	76
Training Related	19	18	19	18	75
Administrative	15	15	15	15	60

	Actual 1st Quarter	Actual 2nd Quarter	Planned 2nd Quarter	Planned 4th Quarter	Planned Total
CONTRACTS					
Ground Maintenance	37	43	45	36	161
Roofing	34	30	31	33	128
Janitorial	44	44	44	40	174
Galley Mess Management	136	136	136	136	544
Bachelor Quarter Management	11	11	11	11	44
Security	105	105	105	105	420
Hazardous Waste	90	90	90	90	360
Landfill	20	20	20	20	80
All others	18	18	18	18	72
COST CENTER OPTARS					
Admin/Legal/DAPA	10	10	10	10	40
*Printing/Copy	54	54	54	54	216
Supply (retail)	51	51	51	51	204
NALCOMIS	36	36	36	36	144
Operations	7	67	67	67	268
Public Works	208	208	208	208	832
Chaplain	6	7	7	6	26
Comptroller	5	5	6	5	21
Civilian Personnel	13	13	13	13	52
MWR— Appropriataed Funds	72	72	592	622	1 358
Child Care Center	64	65	140	140	409
Bachelor Quarter Operation	24	24	24	24	96
Bachelor Quarter PSE	11	11	11	310	343
Family Service Center	7	7	7	7	28
OSHA—SAFETY	3	3	3	3	12
Weapons	3	3	3	3	12

Section IV: Budget Reduction Analysis

Budget reductions are usually difficult to sustain especially when initial funding allocations are barely sufficient to finance assigned missions

and objectives. Deciding what to cut and where to cut it from can be a real dilemma. The budget reduction analysis requires that activity programs be prioritized in order of their importance and contribution to the activity's mission. Often it is a matter of selecting the lessor of two evils. Vertical as well as horizontal cuts should be considered.

Activity Spending Conservation Plan

In order to meet directed funding reductions while minimizing adverse impact to station operations, NAS Barrens needs to implement an Activity Spending Conservation Plan. Specific cost reduction suggestions include:

- Reduction of utilities expenses by adjusting thermostat settings, reduction of outdoor watering, ensuring that utility systems are performing at peak efficiency, reviewing telephone and computer access lines for requirements and utilization, auditing long distance phone bills and providing incentives for conservation compliance
- Reduce travel expenses through close examination of travel requests to weed out unnecessary requirements and identify travel candidates for postponement until next fiscal year
- Reduce civilian personnel related expenses by limiting overtime to essential requirements, gap billets by delaying replacement hiring, encourage and offer leave without pay on an optional basis, reorganize administrative support to cover personnel shortfalls, re-evaluate performance ratings to the truly outstanding, initiate hiring freeze
- Reduce summer student hire program to half-day schedule and reduce employment period by one week
- Reduce operating times for air operations and support facilities
- Eat down stockpiles of fuels and material supplies until they can be replenished in the new fiscal year
- Reduce and postpone most non-critical quality of life improvements (i.e., BQ painting, cable TV wiring, PSE, galley improvements)
- Utilize self help programs to reduce labor costs

- Examine service contracts that offer variable level of services to possibly reduce them to minimum requirements.
- Reduce cost center OPTARS and encourage postponement of non-essential procurements
- Validate unliquidated obligations that are in an undelivered order status in order to possibly recoup funds through cancellation credits
- Limit maintenance and repair of real property spending to essential requirements, postpone projects that do not affect safety or primary mission considerations.

ANSWER SHEET 1

ABRIDGED VERSION OF NAS BARRENS UNFUNDED REQUIREMENTS

DESCRIPTION	$ AMOUNT	PROJ ADJ	CURR AMT
MAINTENANCE & REPAIR OF REAL PROPERTY			
• Repair/Replace damaged runway lighting	100K		100K
• Replace intercom systems in BEQ	100K	100K	0K
• Repair sanitary sewer system	65K		65K
• Repair drainage system (Flood Control)	120K	120K	0K
• Pave over pot holes	143K	107K	36K
• Patch/Repair roofs Bdlgs. 240, 270, 271, 360	28K	14K	14K
• Paint Administrative Buildings	120K	120K	0K
• Repairs to water treatment plant	160K	80K	80K
• Repair/Upgrade electrical system (Hospital OR)	45K	0K	45K
• Paint hangar deck (Hangar #4 & 5)	88K	88K	0K
• Replace old/obsolete electrical panels	45K	45K	0K
• Paint BQ day rooms	50K	50K	0K
• Overhaul air conditioning system (Air Wing HQ)	80K	80K	
TOTAL	**$ 1144K**	**804K**	**340K**
MINOR CONSTRUCTION			
• Install pavement S. of Hgr 2 (reduce FOD Hazard)	77K	77K	0K
• Install emergency gen. at Water Treatment Plant	95K	95K	0K
• Modify community facilities to accommodate handicapped personnel	175K	88K	87K
• Construct storage building	24K	24K	0K
• Minor expansion to Child Care Center	100K	100K	0K
TOTAL	**$ 471K**	**384K**	**87K**

DESCRIPTION	$ AMOUNT	PROJ ADJ	CURR AMT
ENVIRONMENTAL / HAZARDOUS WASTE			
• Hazardous Waste Reduction Studies	300K	300K	0K
• Fuel Spill Study to determine scope of special project to determine cleanup requirement	60K	0K	60K
TOTAL	**$ 360K**	**300K**	**60K**
CIVILIAN LABOR			
• Recognition of pay raise	300K	0K	300K
• Anticipated FECA costs	425K	0K	425K
• Drug Free Workplace Program	8K	0K	8K
• Hearing Conservation Program	6K	0K	6K
• Performance Awards Program (1.5% of ag. salary)	220K	110K	110K
• Student Summer Hire Program ($6/hr, 40hr/wk, 8wk, 200 students)	384K	192K	192K
• Civilian Employee Assistance Program	13K	0K	13K
TOTAL	**$ 1,356K**	**302K**	**1054K**
OPERATIONAL SUPPORT AREAS			
• Continuance of Navy Logistics Command *Management Information System* installation (over 1500K invested at this time)	370K	170K	200K
• Vehicle operation and maintenance (Isolated location results in high mileage)	88K	10K	78K
• Physical security requirements (Guard dogs, shredders, safes, etc)	50K	25K	25K
• ADP related equipment (Micro's / software)	75K	75K	0K
• Replacement program for office furniture	165K	165K	0K
• Repairs to Instrument Landing System	99K	0K	99K
• Electric Rate increases	59K	0K	59K
• Modifications to BOS contracts to meet new external requirements	250K	50K	200K
TOTAL	**$ 1,156K**	**495K**	**661K**
QUALITY OF LIFE ISSUES			
• Child Care Development Center (CNO directed matching fund requirement)	280K	151K	129K
• Bachelor Quarters			
•• Carpet replacement program	30K	30K	0K
•• Mattress/Bed linen replacement	25K	10K	15K

DESCRIPTION	$ AMOUNT	PROJ ADJ	CURR AMT
•• Furniture replacement program (8 yr life)	244K	244K	0K
• Appropriated Fund support to MWR	1,071K	268K	803K
• Wire Base Housing and BQ's for cable tv	100K	100K	0K
• Enlisted Galley improvement (Semi-Finalist in NEY Award competition)	70K	70K	0K
TOTAL	**$ 1,820K**	**878K**	**942K**
TRAINING and TRAVEL SHORTFALLS			
• Operational travel (Station aircraft's crew)	10K	5K	5K
• Training related travel	30K	15K	15K
• Administrative travel	40K	20K	20K
TOTAL	**$80K**	**40K**	**40K**
TOTAL UNFUNDED REQUIREMENTS	**$ 6,387K**	**3203K**	**3184K**

ANSWER SHEET 2

NAS BARRENS' SPENDING PLAN (ABRIDGED)
(000)

	Actual 1st Quarter	Actual 2nd Quarter	Planned 2nd Quarter	Planned 4th Quarter	Planned Total
DIRECT LABOR					
Straight Salary (non Temps)	2900	2750	2650	2685	10,985
Straight Salary (Temps)	910	920	905	926	3,661
Overtime	31	29	23	27	110
Bonus/Awards	0	0	0	110	110
Summer hire Program	0	0	64	128	192
Fringe Benefits/Other	870	825	795	805	3295

	Actual 1st Quarter	Actual 2nd Quarter	Planned 2nd Quarter	Planned 4th Quarter	Planned Total
PUBLIC WORKS					
M-1 MRP	1070	970	794	1052	3886
M-2 Non-Recurring Maintenance	0	0	0	0	0
R-1 Minor Construction	58	46	60	56	220
P-1 Other Engineering Support	862	1020	1008	688	3578
N-1 utilities	517	607	500	613	2237
L-A Telecommunications	225	252	255	192	924
L-7 Transportation	373	370	366	333	1145
Reimbursable Order	2484	2483	2434	2433	9834
Support of Base Aircraft	386	386	386	386	1544
Operational Support Area	261	232	613	838	1644
TRAVEL					
Operational Military	19	19	17	17	72
Training Related	19	18	10	9	57
Administrative	15	15	13	13	56
CONTRACTS					
Ground Maintenance	37	43	45	36	161
Roofing	34	30	16	16	96
Janitorial	44	41	44	40	174
Galley Mess Management	136	136	136	136	544
Bachelor Quarter Management	11	11	11	11	44
Security	105	105	105	105	420
Hazardous Waste	90	90	90	90	360
Landfill	20	20	20	20	80
All others	18	18	18	18	72

COST CENTER OPTARS					
Admin/Legal/DAPA	10	10	9.75	9.75	39.5
*Printing/Copy	54	54	52.7	52.7	213.4
Supply (retail)	51	51	49.7	49.7	201.4
NALCOMIS	36	36	36	36	144
Operations	7	67	65.3	65.3	264.6
Public Works	208	208	197.6	197.6	811.6
Chaplain	6	7	6.8	5.8	25.6
Comptroller	5	5	5.8	5.8	20.6
Civilian Personnel	13	13	12.7	12.7	51.4
MWR— Appropriataed Funds	72	72	474	474	1090
Child Care Center	64	65	64	65	258
Bachelor Quarter Operation	24	24	24	24	96
Bachelor Quarter PSE	11	11	11	26	59
Family Service Center	7	7	6.8	6.8	27.6
OSHA—SAFETY	3	3	2.9	2.9	11.8
Weapons	3	3	2.9	2.9	11.8

C. CASE STUDY #3. BUDGET JUSTIFICATION

Section I. Introduction:

This case study examines the criteria of writing narratives for the justification of budgetary requests. The allocation of scarce resources, appropriated funds, is dependent upon clear, strong, programmatic narratives. This writing skill should be developed and could possibly increase the number of approved budgetary request for the activity.

The justification narrative should enable the reviewers to understand the proposed programs, evaluate them in the light of need, current policies, relative worth compared with competing programs and previous accomplishments. [Ref. 7:p 28] The justification should be complete, to the point and understandable.

As the DOD budget is decreased, each activity must be able to defend their budget and request against all other competing activities. The competition for the limited amount of appropriated funds will be fought through various channels of communications.

The written justification narrative is the primary communication channel an activity can use to gain approval of their budgetary requests. Each activity must submit their narrative in accordance with the current guidance, both oral and written, established by the major claimant.

Section II Background:

It is late February, LCDR Alex Brighton has been the TYPE COMMANDER (TYCOM) Deputy Comptroller for the past two years. He has acquired the ability to analyze the budgetary requests and extract the true essence from each of the request.

LCDR Brighton is a Naval Aviator from the A-6 attack community. This tour of duty as a deputy comptroller is his second assignment away from flying jets off an aircraft carrier. During his first tour ashore, he attended the Naval Postgraduate School and was awarded a Master's of Science in Financial Management. He returned to his first love, aviation, until being assigned to the TYCOM staff.

Since reporting for duty as Deputy Comptroller, he has attacked his assignment at Mach 1 speed, trying to master all the nuances necessary when dealing with people representing various military and civilian communities. LCDR Brighton quickly learned that communication is the key that will open the most stubborn lock.

The TYCOM Comptroller, Captain Howard, has assigned LCDR Brighton an additional tasking. This tasking will involve the evaluation of the recently submitted mid-year budget requests and education of the subordinate commands on how to improve their written justification on the budget requests.

Luckily, LCDR Brighton had been privately working on the development of a training program to improve this very subject. He had tentatively planned to complete the program and present it at the mid-year conference.

Section III Question:

Based on the information provided in Enclosure 1, evaluate and describe the characteristics which would improve the justification narratives submitted by the various activities.

ENCLOSURE 1

BACKGROUND INFORMATION FOR ACTIVITIES A, B, C

Activity A

Weapons testing and evaluation is the primary mission of Activity A. The new upgraded computerized system for recording and replaying information gathered during tests is making this the premier facility of the Navy. The secondary mission is to be the host command for an Army detachment that developes operational tactics for small military units.

This activity is located in northwestern Utah, across the Newfoundland Mountain range from Hill Air Force Base Test Range. Due to

the isolated location, there is a very strong cooperative spirit between these two bases.

The climate is ideal for evaluating weapons for approximately ten months of the year. During the other two months, the rainy season, the roads can be temporarily closed due to flashfloods. These storms can be very dangerous to base personnel who do not take proper precautions.

O&M MIDYEAR REVIEW
DETAIL OF UNFUNDED REQUIREMENT
($ IN THOUSANDS)

Prepared by: Activity A

Unfunded Requirement Title: ALM 914 ATSS System

Priority: 1

	Total Required	Total Funded	Shortfall
Total Funding:	20K	12K	32K

Narrative Description of Requirements:

The ALM 914 links to four subsystems; the multiplexers which supports these links by splitting a single data line, so several devices can be sustained, are obsolete and replacement can no longer be purchased. If the equipment were to malfunction, we would have no means to repair it and several range customers would lose service. To properly support these multiplexers we will need 32K.

Impact If Not Funded:

Failure to fund this requirement will result in a significant degrade to ALM 914 ATSS System.

O&M MIDYEAR REVIEW
DETAIL OF UNFUNDED REQUIREMENT
($ IN THOUSANDS)

Prepared by: Activity A

Unfunded Requirement Title: Vehicle Operations and Maintenance

Priority: 2

	Total Required	Total Funded	Shortfall
Total Funding:	578K	470K	118K

Narrative Description of Requirements:

Activity A experiences high mileage on vehicles because of our isolated location and frequent trips to other military activities. This high mileage results in increased maintenance (32% due to dust and sand contamination) and fuel cost. The level of transportation services has been curtailed to tenant commands to meet the constrained budget. Frequency of daily bus service has been reduced by 38%. Off station transportation requests are restricted to those validated by CO's or Department Heads. Average age of the fleet is 8.6 years. Fuel prices have almost doubled (46.7%) since last year, giving us a shortfall of $97K. Material price increases have produced a shortfall of $111K.

By reprogramming this year funds, we can cover 50.5% or $49K of the fuel shortfall and 45.9% or $51K of the materials. Our shortfall is still $108K.

Impact If Not Funded:

If additional funding cannot be acquired, Activity A will be forced to cease to repair/maintain vehicles for 54.1% of the fourth quarter. By increasing restrictions on the fuel usage, we hope to be able to stretch the fuel through the fourth quarter.

O&M MIDYEAR REVIEW
DETAIL OF UNFUNDED REQUIREMENT
($ IN THOUSANDS)

Prepared by: Activity A

Unfunded Requirement Title: Civilian Personnel Programs

Priority: 3

	Total Required	Total Funded	Shortfall
Total Funding:	764K	82K	682K

Narrative Description of Requirements:

Per CPI 430 dated 1 FEB 88, Commands shall establish 1.5% of aggregate base salaries of covered employees as the maximum funding level for performance bonus. Aggregate salaries for Activity C are $16,934,000, at 1.5% the bonus would be $254,000. Current available funding is only 32.3% of the required Performance Award bonus. It is DON policy to motivate employees to improve productivity and services and reward employees via this program for their contributions. Allocation of funds to support this program are absolutely necessary to insure the accomplishment of our mission in providing fleet support. (172K)

The Office of Worker's Compensation Program (OWCP), Department of Labor, makes compensation payments to injured employees as well as to employees on long term disability due to work related injuries; DON then reimburses OWCP for these costs. Beginning in FY9X, these costs will be billed to the individual activity. (510K)

Impact If Not Funded:

If funding for the Performance Award bonus is not provided, every effort will be made to provide employee motivation through non-monetary recognition programs; however, productivity is expected to decline without the ability to reward employees for their contributions.

Without funding of OWCP cost, there will be a critical impact on civilian personnel hires, resulting in required skill shortages, work stoppages and equipment damage due to lack of qualified, on-board personnel.

Activity B

Sunshine, warm weather, and great flying conditions describes Activity B. The aircraft squadrons can particapte in various training scenerios within a short transit flight time from the base. To the west, the squadrons can practice operations involving the ships of the Seventh Fleet or go inland to refine their expertise of air to air combat or bombing targets on land.

Southern California is the host to this base and several other large naval facilities. One of the advantages of grouping several bases together is the flexibility created in the utlilization of common facilities. These facilities can be storage warehouses, medical hospitals or computer centers.

The NALCOMIS system is a system developed for keeping track of the location of critical aviation assets and repair parts. Activity B system was installed two years ago and they have been able to reduce the amount of funds needed to support the turnover of repair parts.

O&M MIDYEAR REVIEW
DETAIL OF UNFUNDED REQUIREMENT
($ IN THOUSANDS)

Prepared by: Activity B

Unfunded Requirement Title: Automated Data Processing

Priority: 1

	Total Required	Total Funded	Shortfall
Total Funding:	614K	389K	229K

Narrative Description of Requirements:

Continued support is essential for completion of the activity's Local Area Network (LAN), for implementation of the Base's Information System

and for the programming efforts to help economize operations. This need is critical in an era of down sizing our military and civilian work forces, and must be continued in order to keep providing quality base administration. The replacement of ten inch magnetic disk with modern data storage media. The contractor also provides programming support necessary to adjust to new reporting requirements and source data revision, i.e., changes in the official accounting system, hazardous waste reporting systems, etc. Software training is provided on new programs and revisions of existing programs to all activity personnel. The loss of support would hamper Activity B contribution to a joint effort with other Naval Air Station to cooperatively develop information systems and software for our similar operations.

Impact If Not Funded:

Lacking adequate resources to maintain financial, personnel, public works and other management information systems would limit our effectiveness in controlling operations, developing efficiencies and reduce our ability to respond to short-fused information requests. All new program development will cease, limiting our ability to compensate for the decreasing military and civilian personnel population. Training would be reduced, directly impacting flight crews and personnel of other departments who are just starting training. Additionally, other areas since we would not be able to effect work-hour savings through automation. Interdepartmental communications and thorough statistical analysis are two vital components of Total Quality Leadership which are enhanced with this system. This $229K deficiency would eliminate contractor support of our information system and result in virtual cessation of efficiency-producing automation efforts.

O&M MIDYEAR REVIEW
DETAIL OF UNFUNDED REQUIREMENT
($ IN THOUSANDS)

Prepared by: Activity B

Unfunded Requirement Title: Morale, Welfare and Recreation (MWR)

Priority: 2

	Total Required	Total Funded	Shortfall
Total Funding:	1561K	490K	1071K

Narrative Description of Requirements:

NAVSO P-3520, specifies that adequate MWR programs and facilities should be provide, operated and maintained through financial support tendered by DON Appropriated Funds. Non-appropriated funds (NAF) will be used to supplement the cost of these programs. Due to Congressional funding limitations, increased regulations and tightened NAF, this command's appropriated fund support is limited to 490K with a shortfall of 1,071K. Raising user's fees would have minimal effect in reducing the shortfall and the reduction in programs/services would contribute to lowering morale of our personnel. To maintain existing programs, additional sources of funds are needed.

Due to the high cost area surrounding Activity B,the preservation of our "Quality of Life" programs is essential to maintain the readiness, retention, education and promotional opportunities for our service personnel. When our servicemembers are deployed, they can be assured that the MWR programs will assist their dependents in maintaining high morale and well-being within the family unit.

Impact If Not Funded:

Unless the shortfall is funded, the result will be decreasing hours of operations or elimination of programs, i.e., reduce gymnasium hours, pool closures, elimination of varsity sports or library closure. This Command's and the Navy's ability to retain high quality personnel will be reduced which will alter overall force readiness.

O&M MIDYEAR REVIEW
DETAIL OF UNFUNDED REQUIREMENT
($ IN THOUSANDS)

Prepared by: Activity B

Unfunded Requirement Title: Galley Equipment

Priority: 3

	Total Required	Total Funded	Shortfall
Total Funding:	847K	791K	56K

Narrative Description of Requirements:

This requirement is for the purchase of galley equipment and pay for increse cost of contractor labor. Activity B award winning galley, which provides over 800 health conscious meals daily, is over 15 years old. The steam serving tables, copper kettles, Hobart food mixers and refrigeration systems have exceeded life expectancy and need to be replaced. The cost of maintenance and repair parts of the oldest equipment has increased substantially.

Impact If Not Funded:

The inability to replace galley equipment which is worn out will create less efficient working conditions for the galley's food preparation personnel, possible health and safety violations and cause degraded support to the tenant activities and galley patrons.

Activity C

This naval station is located in the beautiful Northwest. Washington state is the sportman's dream location. Hunting and fishing are superb, cost of living is affordable and the weather is mild in the summer and not too cold in the winter.

The state's environmental awareness impacts every company or agency that interacts with the natural resources of Washington. This includes the military services.

Before any construction can begin, Activity C's construction planners must have their plans approved by local governmental agencies. The disposal of hazardous waste during and after construction is another very serious problem and is closely monitored.

Activity C programs are gaining national attention through their diligence in protecting the environment and working to improve of the surrounding area.

O&M MIDYEAR REVIEW
DETAIL OF UNFUNDED REQUIREMENT
($ IN THOUSANDS)

Prepared by: Activity C

Unfunded Requirement Title: Fuel and Coal Reserves

Priority: 1

	Total Required	Total Funded	Shortfall
Total Funding:	1,379K	1,100K	379K

Narrative Description of Requirements:

Last winter this area suffered an unusually cold, harsh winter. On hand supplies of heating fuel and coal barely met demand. We probably face another bad winter this year. Current funding is insufficient to procure anticipated coal and fuel spare reserves.

Impact If Not Funded:

We would have no reserves in case of strikes by supplies or possible shortages caused by other factors.

O&M MIDYEAR REVIEW
DETAIL OF UNFUNDED REQUIREMENT
($ IN THOUSANDS)

Prepared by: Activity C

Unfunded Requirement Title: Retail Supply Operation

Priority: 2

	Total Required	Total Funded	Shortfall
Total Funding:	166K	0K	166K

Narrative Description of Requirements:

ADP support is provided to all divisions via a combination of mainframe, mini and microcomputers. The primary network, UADPS-SP, began a phased conversion from Burroughs terminal concentrator to the new Tandem host. Original conversion plans failed to identify equipment (12K), additional terminals and enhancements (68K), furniture (3K), and operating supplies (2K). Because of this oversight, we have to maintain two separate networks which increase maintenance contract costs, operating cost, and higher NARDAC charges for operating two systems. (85K)

Replacement of data communication lines and interfaces between Honeywell and UADPS-SP Tandem is critical to fleet activity support and material accountability. (81K)

Impact If Not Funded:

If funding for the computer system conversion is not completed, we will have to continue to pay for two separate systems whose costs will increase each year.

O&M MIDYEAR REVIEW
DETAIL OF UNFUNDED REQUIREMENT
($ IN THOUSANDS)

Prepared by: Activity C

Unfunded Requirement Title: Hazardous Waste Disposal

Priority: 3

	Total Required	Total Funded	Shortfall
Total Funding:	1,670K	1,023K	647K

Narrative Description of Requirements:

Activity C, as a host command, is primarily responsible for hazardous waste management, identification and disposal. Beginning in FY9X we are also responsible for the cost of that disposal. This is accomplished through civilian labor, commercial contracts (testing/disposal) and the Base Operating Services Contractor. The program requirements were developed as follows:

Annual Costs to Process (prior to the DLA decentralization decision)	$653
Growth (pay raises, program scope)	78
Annual Costs for Disposal (due to DLA decentralization decision)	635
Minimization efforts designed to save out-yr dollars	324
TOTAL	**$1,670**

Polychlorinated Byphenyls Survey (PCB) - Code of Federal Regulations, Title 40, Part 761 and OPNAVINST 5090.1A requires transformers to be managed as PCB, unless they have been tested and shown bo be non-PCB. The OPNAVINST further requires testing of all transfmers. Activity C has funded $60K for the test of some pole mounted transformers

using FYX0 funds. Title 40, Part 761.30 requires PCB transformers that are near commercial buildings are equipped with fault protection devices.

Impact If Not Funded:

One or more of the program elements could not be accomplished as needed. Activity C is located in a very environmentally sensitive area. To decrease the scope of the program could result in our failure to properly identify and manage hazardous waste. The new disposal responsibility must be carried out to a satisfy legal requirements. If we do not proceed with minimization efforts, we can count on a continual battle with increased costs and decreased resources. This program must be funded because the personal and corporate liability associated with underfunding is not acceptable.

Section IV. Budget Justification Analysis

All justifications have as their objective the explanation and support of the budget estimates. As precisely and briefly as possible, the narratives should state the necessary facts and the rational for the estimates.

OMB Circular No. A-11 provides general guidelines and each claimant should provide detailed requirements as necessary for the submission of the budget request. Some claimants have developed programs to assist subordinate activities in the submission of the budget request via microcomputer floppy disk.

The use of computers and specialized programs have streamlined the data input process and reduced transposition errors. These same programs can combine the various submissions into an aggregate budget summary.

Justification narratives should be developed using three different sets of criteria. The following is a summarization of the characteristics of quality budget justifications [Ref. 7:p. 28-30], readability measures [Ref. 7:p. 53] and narrative requirements. [Ref. 8:p. 36-39]

Characteristics of Quality Budget Justification:

- Completeness—the program issues, costs and means of financing should be explained explicitly as possible
- Explicitness—the presentation of facts and forecasts in quantitative terms whenever possible and the use of graphic data in place of long narrative descriptions
- Consistency—ensure that figures and facts presented at one place in a document are the same as or reconcilable to those presented elsewhere
- Brevity—proposals should be short enough to be understood quickly and do not use of technical jargon or boiler plate terminology
- Balance and emphasis—considerable judgement must be exercised as to which issues and facts should be included and ensure necessary documentation is available
- Analytical data—ensure that essential, specific, concrete, factual or significant data is included in the written justification

Readability Measures:

- Keep sentences short—average of 20 words or less is desirable, 26 or less is common
- Favor the simple to the complex—shorter words are easier to read, understand, and take less space
- Use the familiar word—the more common the words used--the better the chance of understanding
- Avoid unnecessary words—the extra words often detract from clear understanding by making complex sentences
- Use terms your reader can picture
- Tie in with your reader's experience—the readers judge the meanings according to their experiences
- Write to express not impress

Narrative Requirements:

- What precisely is the requirement
- Why should it be done—is it by external direction or locally generated
- How do you propose to do it and what is the cost
  - •• How were the manpower and funds computed
  - •• How is it time phased—one time or recurring
  - •• Implications for other accounts or funds
- Alternatives—can the activity be contracted out or steps taken to solve the problem with available resources
- Impact if partially or not funded

There is a "halo effect" which is associated with brief, concise and coherent budget request. They communicate the impression that the installation has a handle on its requirements and is sensitive to the decision process of the claimant.

ANALYSIS KEY FOR THE ACTIVITIES

Activity A—Weapons range in Utah:

The priority order of the budget requests should be reversed.

Priority 1 ALM 914 ATSS SYSTEM
Total funding line does not balance and is not consistent with the narrative description. This narrative is full of technical jargon and a reviewer would not understand the request.

Priority 2 VEHICLE OPERATIONS AND MAINTENANCE
Total funding line does not agree with the narrative statement monetary numbers. In the narrative description, there are unnecessary percentage numbers and the second paragraph is confusing. The impact statement is too wordy.

Priority 3 CIVILIAN PERSONNEL PROGRAMS
Good write up.

O&M MIDYEAR REVIEW
DETAIL OF UNFUNDED REQUIREMENT
($ IN THOUSANDS)

Prepared by: Activity A

Unfunded Requirement Title: Civilian Personnel Programs (Performance Awards and OWCP)

Priority: 1

	Total Required	Total Funded	Shortfall
Total Funding:	764K	82K	682K

Narrative Description of Requirements:

Per CPI 430 dated 1 FEB 88, Commands shall establish 1.5% of aggregate base salaries of covered employees as the maximum funding level for performance bonus. Aggregate salaries for Activity A are $16,934,000, at 1.5% the bonus would be $254,000. Current available funding is only 32.3% of the required Performance Award bonus. It is DON policy to motivate employees to improve productivity and services and reward employees via this program for their contributions. Allocation of funds to support this program are absolutely necessary to insure the accomplishment of our mission in providing fleet support. (172K)

The Office of Worker's Compensation Program (OWCP), Department of Labor, makes compensation payments to injured employees as well as to employees on long term disability due to work related injuries; DON then reimburses OWCP for these costs. Beginning in FYX1, these costs will be billed to the individual activity. (510K)

Impact If Not Funded:

If funding for the Performance Award bonus is not provided, every effort will be made to provide employee motivation through non-monetary recognition programs; however, productivity is expected to decline without the ability to reward employees for their contributions.

Without funding of OWCP cost, there will be a critical impact on civilian personnel hires, resulting in required skill shortages, work stoppages and equipment damage due to lack of qualified, on-board personnel.

O&M MIDYEAR REVIEW
DETAIL OF UNFUNDED REQUIREMENT
($ IN THOUSANDS)

Prepared by: Activity A

Unfunded Requirement Title: Vehicle Operations and Maintenance

Priority: 2

	Total Required	Total Funded	Shortfall
Total Funding:	578K	470K	108K

Narrative Description of Requirements:

Activity A experiences high mileage on vehicles because of our isolated location and frequent trips to other military activities. This high mileage results in increased maintenance and fuel costs.

The level of transportation services has been curtailed via reduction in the frequency of daily bus runs, off-station transportation requests are restricted to those validated by CO's and Department Heads, and availability of Class "C" vehicles has been reduced. The average age of vehicles is 8.6 years. Fuel prices have almost doubled since FYX0, giving us a shortfall of 97K. Material price increases have produced a shortfall of 111K.

The funding in FYX1 has enabled us to reprogram our funds to cover 49K of the fuel shortfall and 51K of the shortfall in materials. With the reprogramming, our shortfall is 108K.

Impact If Not Funded:

Failure to fund this requirement will cause decreases in productivity and delays in maintenance/repair of vehicles.

O&M MIDYEAR REVIEW
DETAIL OF UNFUNDED REQUIREMENT
($ IN THOUSANDS)

Prepared by: Activity A

Unfunded Requirement Title: Automated Training System Support (ATSS)

Priority: 3

	Total Required	Total Funded	Shortfall
Total Funding:	1,670K	1,023K	647K

Narrative Description of Requirements:

Automated Training System Support (ATSS) has communication links to four hangars. The multiplexers which support these links, by splitting a single data line so several devices can be sustained, are obsolete and replacement parts can no longer be purchased. The current cost for two DEC 16 Channel Multiplexers is approximately $16K. Two multiplexers are required to operate the equipment as one will not function without the other. Per COMNAVSPWARPAC ltr dated 27 DEC 1989, support will be given to the Aircraft Intermediate Maintenance Department (AIMD). To properly support AIMD, these multiplexers will be needed.

Impact If Not Funded:

Failure to fund this requirement will result in significant loss of productivity when this equipment malfunctions, we have no means to repair it and several activities will lose services.

Activity B—Naval Air Station in Southern California:

Priority 1 AUTOMATED DATA PROCESSING

Total funding line values do not balance (shortfall should be 225K vs. 229K). Activity has buried a request for replacement of data storage media equipment in the middle of the paragraph requesting contractor support. The last sentence in the impact statement should be the first sentence in that paragraph. There are several lines of justification in the impact statement that have been mistakenly omitted.

Priority 2 MORALE, WELFARE AND RECREACTION

The writing style is very choppy and very limited analytical data presented. The second paragraph of the narrative description could be deleted. Impact statement justification is vague.

Priority 3 GALLEY EQUIPMENT

The request contains unneeded detail, i.e., award winning, list of galley equipment, and the impact statement should be shorter and more explicit.

O&M MIDYEAR REVIEW
DETAIL OF UNFUNDED REQUIREMENT
($ IN THOUSANDS)

Prepared by: Activity B

Unfunded Requirement Title: Automated Data Processing

Priority: 1

	Total Required	Total Funded	Shortfall
Total Funding:	614K	389K	225K

Narrative Description of Requirements:

Continued support is essential for completion of the activity's Local Area Network (LAN), implementation of the Base's Information System (BIS) and the programming efforts to help economize operations. This need is critical in an era of down sizing our military and civilian work forces and must be continued in order to keep providing quality base administration. The contractor provides programming support for new reporting requirements, i.e., changes in the official accounting system, hazardous waste reporting, etc. Software training is provided on new programs and revisions of existing programs to all activity personnel. The loss of support would hamper Activity B contribution to a joint effort with other Naval Air Stations to cooperatively develop information systems and software for our similar operations.

Impact If Not Funded:

This $225K deficiency would eliminate contractor support of our information systems program and would result in virtual cessation of efficiency-producing automation efforts.

Lacking adequate resources to maintain financial, personnel, public works and management information systems would limit our effectiveness in controlling operations and reduce our ability to respond to short-fused information request.

BIS and LAN systems are responsible for increasing interdepartmental communications and thorough statistical analysis which are two vital components of Total Quality Leadership.

O&M MIDYEAR REVIEW
DETAIL OF UNFUNDED REQUIREMENT
($ IN THOUSANDS)

Prepared by: Activity B

Unfunded Requirement Title: Morale, Welfare and Recreation (MWR)

Priority: 2

	Total Required	Total Funded	Shortfall
Total Funding:	1561K	490K	1071K

Narrative Description of Requirements:

DOD Directive 1330.2 clearly states that the policy of the DOD is to fund well-rounded Morale, Welfare, and Recreation programs. NAVSO P-3520, specifies that adequate MWR programs and facilities should be provided, operated and maintained through financial support tendered by the DON Appropriated Funds. Non-appropriated funds (NAF) will be used to supplement the cost of these programs and facilities. The continual erosion of appropriated fund support is an alarming concern. Due to inflation, tightened NAF, Congressional funding limitations, and increased regulations, this command has had to absorb new MWR operating costs with fewer dollars. The appropriated fund support provided by this Command is currently limited to $490K leaving essential requirements of an additional $1071K remaining unfunded. This unfunded amount is forecasted to increase $50K for FYX2 and FYX3. Resultantly, the Navy's commitment to provide well-rounded morale and recreational activities is seriouly in jeopardy. Raising user fees would have minimal effect in reducing the funding shortfall and will no doubt contribute to lowering the morale of our

personnel. To maintain existing programs, additional sources of funds are necessary.

Impact If Not Funded:

The result of not funding this request would be the reduction and/or elimination of MWR programs and services. This action would contribute to the lowering of morale and reduce the Command's and Navy's ability to retain high quality personnel which will alter the overall force readiness.

Unless the shortfall is funded, decreased gymnasium hours, pool closures, elimination of varsity sports, library closure, etc., will be the result.

The presentation of "Quality of Life" programs is essential to readiness, retention, education and promotional opportunities for our servicemembers. These programs also assist our dependents while the spouse is on deployment, maintaining high morale and well-being within the family unit.

O&M MIDYEAR REVIEW
DETAIL OF UNFUNDED REQUIREMENT
($ IN THOUSANDS)

Prepared by: Activity B

Unfunded Requirement Title: Galley Equipment

Priority: 3

	Total Required	Total Funded	Shortfall
Total Funding:	847K	791K	56K

Narrative Description of Requirements:

This deficiency would preclude the replacement of galley equipment and the contractor effort essential to operate the galley itself. The galley serves over 800 meals daily and is over 15 years old. Much of the original equipment has reached or exceeded life expectancy and must be replaced.

Impact If Not Funded:

The inability to replace galley equipment which is wearing out will create less efficient working conditions and cause degraded support to our service members. Loss of funds to support the contractor operations could require a reduction in hours of operations or further compound the average 60 hour weekly work shifts of assigned military personnel.

Activity C—Naval Station in Washington:

The order of priorities should be rearranged with the most important priority first.

Priority 1 FUEL AND COAL RESERVES

The justification in the narrative is weak. Total funding line does not balance (shortfall should be 279K vs. 379K). No analytic data is presented in the request.

Priority 2 RETAIL SUPPLY OPERATION

There is a very detailed accounting of the costs not included in the original conversion plan but how much money will be saved after the conversion is completed and only one system is operating. The system abbreviation UADPS-SP and technical jargon are included without explanation. The second paragraph in the narrative needs to be more descriptive to be understood.

Priority 3 HAZARDOUS WASTE DISPOSAL

The total value in the program requirement section is wrong (should be 1,690K vs 1,670K). The second paragraph about PCB has nothing to do with the request for hazard waste disposal cost. Corrections to the spelling and grammar are required.

O&M MIDYEAR REVIEW
DETAIL OF UNFUNDED REQUIREMENT
($ IN THOUSANDS)

Prepared by: Activity C

Unfunded Requirement Title: Hazardous Waste Disposal

Priority: 1

	Total Required	Total Funded	Shortfall
Total Funding:	1,690K	1,023K	647K

Narrative Description of Requirements:

Activity C, as a host command, is primarily responsible for hazardous waste management, identification and disposal. Beginning in FY9X we are also responsible for the cost of that disposal. This is accomplished through civilian labor, commercial contracts (testing/disposal) and the Base Operating Services Contractor. The program requirements were developed as follows:

Annual Costs to Process (prior to the DLA decentralization decision)	$653
Growth (pay raises, program scope)	78
Annual Costs for Disposal (due to DLA decentralization decision)	635
Minimization efforts designed to save out-yr dollars	324
TOTAL	**$1,690**

Impact If Not Funded:

One or more of the program elements could not be accomplished as needed. Activity C is located in a very environmentally sensitive area. To decrease the scope of the program could result in our failure to properly identify and manage hazardous waste. The new disposal responsibility must be carried out to a satisfy legal requirements. If we do not proceed with minimization efforts, we can count on a continual battle with increased costs and decreased resources. This program must be funded because the personal and corporate liability associated with underfunding is not acceptable.

O&M MIDYEAR REVIEW
DETAIL OF UNFUNDED REQUIREMENT
($ IN THOUSANDS)

Prepared by: Activity C

Unfunded Requirement Title: Fuel and Coal Reserves

Priority: 2

	Total Required	Total Funded	Shortfall
Total Funding:	1379K	1100K	279K

Narrative Description of Requirements:

Current funding is insufficient to procure necessary coal and fuel reserves. $279K would allow the purchase of 4 months' supply of coal (X,XXX tons) or 3 months' supply of fuel (XXX,XXX gallons).

Impact If Not Funded:

Fuel and coal are essential requirements to produce steam for utilities (e.g., heating, hot water, and other equipment). If we are unable to fund this critical need in FYXX, we would be required to utilize next years's funds. We cannot provide base services without this funding and would have no choice but to divert other funds into this requirement. We would have no reserves in the event of strikes by producers, shippers, or spot shortages caused by other factors (e.g., extreme cold fronts in wide spread areas).

O&M MIDYEAR REVIEW
DETAIL OF UNFUNDED REQUIREMENT
($ IN THOUSANDS)

Prepared by: Activity C

Unfunded Requirement Title: Retail Supply Operation

Priority: 3

	Total Required	Total Funded	Shortfall
Total Funding:	166K	0K	166K

Narrative Description of Requirements:

ADP support is provided to all divisions via a combination of mainframe, mini and microcomputers. The primary system is the "Uniform Automated Data Processing System for Stock Points (UADPS-SP). In FYX9, the UADPS-SP network began a phased conversion from the Burroughs terminal concentrator to the new Tandem host. The original conversion plans failed to identify equipment (12K), additional terminals and enhancements (68K), supporting furniture (3K) and operating supplies (2K). Because of these oversights, we are currently maintaining two separate networks which increases our maintenance contract costs, operational costs and higher NARDAC charges for operating two systems.

Replacement of data communication lines between Honeywell computer system (Warehouse 4) and UADPS-SP Tandem system (Bldg. 168) (15K), installation of dependable interface equipment (54K) and annual maintenance cost (12K) are critical to providing fleet activity support and material accountability. Data lines replacement is necessary to preclude approximately 36 hours of down time per month during peak operating hours.

Impact If Not Funded:

Not funding the complete conversion and replacement of the data communication system will force Activity C to continue to pay for two operating systems and provide inefficient service during peak operating hours. This is shortfall is costing Activity C $261K during this year

D. CASE STUDY #4. BUDGET EXECUTION PERFORMANCE

Section I. Introduction:

While budget formulation consists of preparing a plan for the budget year, budget execution is the accomplishment of that plan. It is the process established to achieve the most effective, efficient and economical use of financial resources in carrying out the program for which the funds were approved.

Budget execution performance can have a direct impact on funding allocation decisions in that claimants/subclaimants use official accounting reports to track activity performance. Based on certain monitored budget execution pulse points, those activities perceived to be efficiently and effectively utilizing their allotted funds tend to be more successful in obtaining additional funding.

This case study will illustrate the budget execution performance evaluation process as viewed from the claimant/subclaimant level.

Section II. Background:

It is now early-March and Lieutenant Commander Jon Smith has only been on the job as Deputy Comptroller of COMNAVSPWARPAC for five weeks. COMNAVSPWARPAC with only five activities assigned to it was a relatively small size TYPE COMMAND/SUB-CLAIMANT, especially when compared to COMNAVAIRPAC and COMNAVSURFPAC. (See Encl 1)

LCDR Smith, a Supply Corps officer by trade with over ten years in the Navy, possessed limited experience as a comptroller. He had been a Supply/Fiscal officer at a small activity as a Lieutenant and had graduated from the Naval Postgraduate School where he earned a "P" code in Financial

Management. Most of his experience in the Navy had been in box-kicking as an afloat supply officer.

Captain Floyd, LCDR Smith's boss, just reported in to COMNAVSURFPAC for duty as the TYPE COMMANDER Comptroller after 24 years of operational and staff assignments; none of which included financial management positions. Captain Floyd was scheduled to attend the Practical Comptrollership Course (PCC) in May to help get him up to speed.

Mid-year review was running a little late this year and LCDR Smith had been directed by Captain Floyd to prepare a brief on the COMNAVSPWARPAC year-to-date Budget Execution Performance for each of the activities. Captain Floyd was particularly interested in knowing which activities, when compared to each other, were his top performers and those that he needed to watch closely.

Section III. Question:

Based on the background information provided in enclosure 1 and financial data presented in enclosure 2, evaluate the year-to-date Budget Execution performance of each of COMNAVSPWARPAC's five activities.

Rank them from one to five in order of execution performance and explain how you came to your conclusions.

ENCLOSURE 1

BACKGROUND INFORMATION ON COMNAVSPWARPAC ACTIVITIES

Activity A

After having been stationed in Guam for the previous three years, Commander Adams and his family have finally readjusted, after six months, to the fast-paced life style of southern California. The Adams family was thrilled to return to this area, even though it is a high cost area, because they had not sold their home before moving to Guam.

CDR Adams, the comptroller, was happy to return to Activity A. It was not the biggest base in the area, but large enough to receive congressional attention because of the Training Command on base. Having several military bases and numerous off base employment opportunities located nearby contributed to Activity A's high rate of personnel turnover.

Activity B

Clean air and a beautiful view of the mountains are normally the first two things that people remember about Activity B. It is quite isolated from any of the large population centers in California. That is probably the main reason for the very low job turnover rate.

The base's MWR recreation programs have been nationally recognized as providing the best outdoor sports facilities. The skiing, camping or mountaineering are superb.

CDR Brown, the activity's comptroller, arrived two years ago and due to the small size of the base, CDR Brown has also been flying the Search and Rescue (SAR) helicopters. The SAR mission is absolutely vital because Activity B is the only military station equipped with SAR helicopters near

this mountainous area. Each year they are credited with saving human lives because of this specialized service.

Activity C

The comptroller of Activity C, CDR Carlsberg, was looking forward to the close of business on Friday. In the past eight months, since his arrival, he had heard about the great fishing in Washington state. He was going to find out if the stories were true this weekend.

CDR Carlsberg is enjoying the challenge of managing this large activity. The comptroller's staff is energetic, knowledgeable and understand that their job is to support the operational mission of the base.

The local economy has been stable and has a medium cost of living. Many of the employees owned their homes and so the base employees' turnover rate was normal.

The construction on the new piers is scheduled to be completed in August. This will decrease the overcrowding of the present submarine pier area and allow all the submarines to tie up directly to the piers.

Activity D

Many of us dream about taking a vacation on the sunny beaches of Hawaii. CDR Davis was lucky enough to be stationed in Hawaii. Yes, it is a high cost area, but CDR Davis had recently moved into military housing after living on the local economy for three months.

Living on an island with several military bases does create some unique situations. All the military housing on the island has been consolidated and placed under the authority of the Army. For another example, Activity D is a large size activity but does not have its own Public

Works Department. Instead, Activity D uses the Public Works Center at Pearl Harbor.

CDR Davis has reviewed the work records of his department employees and has estimated that the employee turnover rate is about normal.

Activity E

When CDR Ellison's detailer told him his orders were to report to Activity E, CDR Ellison's mind recognized the name of the base but could not immediately figure out where it was located. He recalled that it was located on the central coast of California.

In the past three years, CDR Ellison's tour as base comptroller has been an enlightening experience. He has enjoyed being stationed on a small base and has been delighted with the medium cost of living in the local region. He is sure that the economy contributes to the steady work force environment.

	Activity A	Activity B	Activity C	Activity D	Activity E
Annual Planning Figure (Direct)	$34,000,000	$25,000,000	$75,000,000	$70,000,000	$25,000,000
1st Qtr Auth (Direct)	$12,000,000	$8,000,000	$30,000,000	$20,000,000	$6,000,000
2nd Qtr Auth (Direct)	$8,000,000	$7,000,000	$20,000,000	$15,000,000	$4,000,000
3rd Qtr Planned (Direct)	$7,000,000	$5,000,000	$11,000,000	$20,000,000	$8,000,000
4th Qtr Planned (Direct)	$7,000,000	$5,000,000	$14,000,000	$15,000,000	$7,000,000
Travel Funds (Auth)	$240,000	$180,000	$465,000	$430,000	$175,000
Direct Funds Auth (To Date)	$20,000,000	$15,000,000	$50,000,000	$35,000,000	$10,000,000
Reimburse Funds Recv* (To Date)	$10,000,000	$10,000,000	$5,000,000	$5,000,000	$5,000,000
TOA (To Date)	$30,000,000	$25,000,000	$55,000,000	$40,000,000	$15,000,000
GAO (Direct)	$19,950,000	$14,100,000	$48,500,000	$32,900,000	$9,000,000
GAO (Reimburse)	$7,650,000	$9,775,000	$4,300,000	$4,700,000	$4,800,000
GAO Total	$27,600,000	$23,875,000	$52,800,000	$37,600,000	$13,800,000
GAO Travel (To Date)	$123,600	$87,300	$230,200	$210,700	$70,000
Number of Obligations Made	110,000	92,000	200,000	146,000	54,000
Number of Outstanding Obligations	49,500	46,000	50,000	29,200	25,380
$ Value of Outstanding Obligations	$11,040,000	$4,775,000	$13,200,000	$16,920,000	$6,900,000
Number of UDO's	29,700	23,000	17,500	11,680	7,614
$ Value of UDO's	$4,416,000	$3,104,000	$6,600,000	$12,690,000	$1,725,000
Number of Expenditures	60,500	46,000	150,000	116,800	28,620
$ Value of Expenditures	$16,560,000	$19,100,000	$39,600,000	$20,680,000	$6,900,000
Number of Unmatched Expenditures	9,075	5,060	10,500	7,008	2,862
$ Value of Unmatched Expenditures	$1,656,000	$1,528,000	$3,564,000	$1,448,000	$1,035,000
Interest Payments	$331	$191	$356	$207	$173

ENCLOSURE 2

WHAT TO LOOK AT!

When evaluating financial statements or a group of activities, first ensure that each individual item of the set can be equated to the other items in the same set. Apples should be compared with apples, not to oranges. As simple as this sounds, it can be very difficult to do in reality.

The five activities in this case study are each different. Therefore, the student must figure out how to equate the various activities to each other. One technique called, common sizing [Ref. 9:p. 771], where percentages are used rather than absolute numbers. If two activities both have $5,000K of outstanding obligations, what percentage of their GAO does this value represent?

The number of entries that make up the total dollar value of each account should be considered. Does the activity have $3,000K in unmatched expenditures but do these consist of one unmatched expenditure of $2,600K and the remainder is spread between thirty entries?

Each activity's total financial package and its background information must be considered together to achieve the most accurate and correct analysis.

OBLIGATION RATES:

- $ (dollar) value of DIRECT GROSS ADJUSTED obligations as a % of NEW OBLIGATIONAL AUTHORITY
- $ value of INDIRECT GROSS ADJUSTED obligations as a % of REIMBURSABLE FUNDING received
- $ value of TOTAL GROSS ADJUSTED obligations as a % of TOTAL OBLIGATIONAL AUTHORITY
- Are DIRECT JOB ORDER numbers being erroneously charged when REIMBURSABLE JOB ORDERS should be charged?

OUTSTANDING OBLIGATIONS:

- $ value of OUTSTANDING OBLIGATIONS as a % of GAO
- $ value is more important than quantity of outstanding obligations
- The % of GAO is more important than TOTAL $ VALUE alone
- Are the high rates of outstanding obligations the result of valid UDO's or outstanding reimbursable orders.

UNMATCHED EXPENDITURES:

- $ value of UNMATCHED EXPENDITURES as a % of $ value of EXPENDITURES
- $ value is more important than quantity of UNMATCHED EXPENDITURES
- The % of $ value of EXPENDITURES is more important than the TOTAL $ VALUE ALONE

INTEREST PAYMENTS:

- $ value as a % of $ value of EXPENDITURES

ARE FLOORS AND CEILINGS BEING OBSERVED

ANSWER SHEET 1					
	Activity	Activity	Activity	Activity	Activity
	A	B	C	D	E
IMPORTANT INDICATORS					
GAO Total	$27,600,000	$23,875,000	$52,800,000	$37,600,000	$13,800,000
OBL Rate: DIRECT as % of NOA	99%	94%	97%	94%	90%
INDIRECT as % REMB AUTH	77%	98%	86%	94%	96%
GAO as % of TOA	92%	95%	96%	94%	92%
Ranking	4/5	2	1	3	4/5
$ Value of OUTSTANDING OBLIGATIONS	$11,040,000	$4,775,000	$13,200,000	$16,920,000	$6,900,000
As % of GAO	40%	20%	25%	45%	50%
Ranking	3	1	2	4	5
$ Value of UNMATCHED	$1,656,000	$1,528,000	$3,564,000	$1,448,000	$1,035,000
As % of $ Value of EXPENDITURES	10%	8%	9%	7%	15%
Ranking	4	2	3	1	5
Less Important Indicators					
Interest Payments	$331	$191	$356	$207	$173
As % of Expenditures	2.0%	1.0%	0.9%	1.0%	2.5%
Ranking	4	2/3	1	2/3	5

ANSWER SHEET 1

OBSERVATIONS:

Activity A	Activity B	Activity C	Activity D	Activity E
- Tied for worse obligation rate	+ Next best oblig rate	+ Best obligation rate	* High $ amount of outstanding oblig. but could be the result of valid UDO's; also major portion of funds obligated as reimbursable orders	- Tied for worse obligation rate
-Next worse $ value rate for unmatched expenditures	+ Lowest $ amount of outstanding obligation	+ Next lowest $ amt. of outstand. obligations	+ Lowest $ value rate of unmatched expenditures	- Largest $ amount of outstanding obligations
-Looks like reimbur funds are not being properly charged	+ Next lowest $ value rate of unmatched exped	+ Low rate of interest paid	- New Comptroller	- High $ value of unmatched expenditures
-High turnover rate of personnel New comptroller	+ Good turnover rate of personnel Exper. Comptroller			- Comptroller has been around a long Should know better
-High rate of interest paid				- High rate of interest paid

ANSWER SHEET 2

IV. CONCLUSIONS AND RECOMMENDATIONS

The intent of this thesis is to examine the role of the Navy field activity comptroller in the management of funds and personnel under increasing resource constraints. The number of missions performed by Naval activities has not decreased with the Congressional imposed reduction of appropriated funds. Therefore, each comptroller should ensure that the activity's budget and spending plans are intelligently developed and executed to provide the maximum benefit for the activity, i.e., the "biggest bang for the buck."

The case studies developed for this thesis have shown that the field activity comptroller is the critical link to the acquirement and defense of the activity's appropriated funds. In order to do this, the comptroller must be a superb manager of both personnel and taskings.

The comptroller's creditability is crucial in financial and personnel management fields. This creditability will be based on the comptroller's ethical and honest actions both up and down the chain of command.

Effective communication, by the comptroller, is the key to providing sound advice about regulations involving appropriated funds or when coordinating the reprogramming of funds due to a budgetary tasking. This communication can be in various forms, written, spoken or body language, but it must be clear and concise. As in the case study on Budget Justification, if the budget request is long, confusing and poorly written, it probably will not be approved.

There is not a single managerial style or technique that will consistently produce the best results. The correct technique or method will depend on the

individuals and events that created the situation. The comptroller must be flexible in his or her managerial style to capitalize on each opportunity.

Increasing resource constraints and ever changing regulations and procedures creates an exciting challenge for today's Navy field activity comptroller.

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